

KENTUCKY ECONOMIC INDICATORS

October 2007 as of January 3, 2008

KY Composite Index of Leading Indicators decreased by 2.2 percent in October.

- The Leading Index decreased for the sixth time this year.
- Year-over-year the index was down by 0.3 percent.
- The component indicators were mostly positive, 3:1:1.
 - + KY Labor Intensity Index increased 1.9 percent.
 - KY Index of Initial UI Claims decreased by 26.3 percent.
 - + US Retail Sales increased by 2.7 percent.
 - + US Manufacturer's New Orders Index increased by 1.2 percent.
 - o Louisville Help Wanted Index remained unchanged at 23.

Component weights for October are 69.1, 13.0, 11.7, 4.9 and 1.2 respectively.

KY Composite Index of Coincident Indicators decreased by 2.9 percent in October.

- The Coincident Index is negative for the third time this year.
- Year-over-year growth is positive for the fifty-first consecutive month at 1.2 percent.
- Component indicators leaned negative, 1:2.
 - + KY Nonagricultural Employment increased 0.2 percent.
 - US Industrial Production Index decreased 8.2 percent.
 - US Personal Income Less Transfers decreased 2.0 percent.

Component weights for October are 37.6, 31.3 and 18.5 respectively. Component weights do not sum to one because the two US components were discounted to give the Kentucky component more weight.

The Kentucky Leading Index fell for October despite modest and strong positive movements in three of the five component indicators. There is an unusual mixture of things in the components in October. For the second straight month, the Kentucky Labor Intensity Index grew by a solid 1.9 percent. US Retail Sales grew by a modest 2.7 percent completing four straight months of uninterrupted growth. The US Manufacturer's New Orders Index grew for the first time in three months with 1.2 percent growth. The Louisville Help Wanted Index remained unchanged at 23 points.

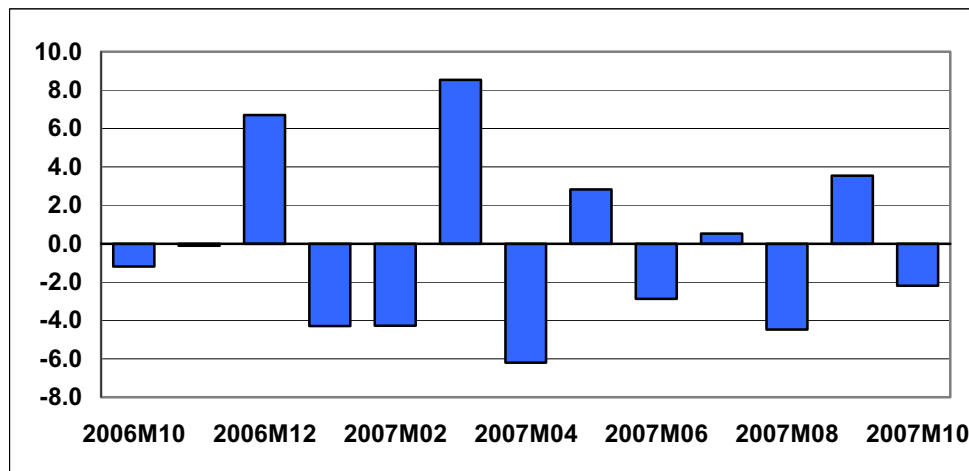
The big driver this month, however, is the Kentucky Index of Initial Unemployment Insurance Claims. This index fell by 26.3 percent on a seasonally adjusted annual rate basis. This is the largest single month decline since November 1990 for the UI Index. Both UI Index components increased in October, but the Kentucky First Payments was the much stronger force. US Initial Claims increased by 4.3 percent compared to October 2006, while Kentucky First Payments increased by 47.4 percent compared to October 2006. The last time Kentucky First Payments exceeded 40 percent growth in a single month was in August 2001, which was the middle of the 2001 recession.

Kentucky Non-farm employment grew by 300 seasonally adjusted jobs in October. Kentucky Manufacturing employment continued to suffer losses, falling by 3.7 percent. Manufacturing employment has now lost a seasonally adjusted net 4,200 jobs since October 2006. Kentucky Private Services employment increased by 2.4 percent for October, gaining 2,200 jobs for the month. Private Services employment has gained 11,400 seasonally adjusted jobs since October 2006.

The Kentucky Unemployment Rate declined sharply in October, falling to 5.6 percent. The Unemployment Rate is defined as the ratio of those people in the labor force who are not employed and are seeking work during the survey week divided by the total labor force. This is very much different than the flow measures of employment used in the Initial Claims series. Traits like First Payments are those unemployed persons who have made a request for an unemployment insurance payment and are in their first month of payment. It can easily be true that the unemployment rate and the unemployment insurance series are moving in different directions. There are also several variables which lag the business cycle more than the others, like exhaustees. Exhaustees are those individuals who are unemployed, have received UI benefits and exhausted their benefits. For October, the unemployment rate is telling a much different story than the Kentucky First Payments series.

The US Leading Index was also negative for October. The US Leading Index contains a larger and much broader group of components than the Kentucky Leading Index. The US Leading Index, produced by the Conference Board, fell by 5.9 percent.

Our indices are compiled and published on a monthly basis, roughly two weeks following the Conference Board release of the U.S. Leading Index. A complete description of the Index of Leading Indicators and methodology was published in the University of Kentucky Center for Business and Economic Research *Kentucky Annual Economic Report, 2000*.



About the Indicators

Kentucky Reference Series

Inflation-adjusted personal income less transfer payments and policy-adjusted general fund tax receipts are combined to form the GOEA composite reference series.

Kentucky Leading Indicators

- **KY Labor Intensity Index:** Composed of seasonally adjusted weekly hours multiplied by employment for the following manufacturing industries: Lumber products; chemical and allied products; petroleum, coal, rubber and plastic products; fabricated metals and transportation equipment.
- **KY Initial Unemployment Insurance (UI) Claims Index:** This index has two components: Kentucky claims in their first month of payment and total U.S. initial claims. Additional claims for UI are the subset of initial claims filed by workers who have previously filed UI claims but are currently filing new claims with intermittent workforce attachment since their original claim. The claims in their first month of payment without intermittent qualified experience performed better in the testing process and were chosen accordingly.
- **U.S. Retail Sales:** During turning points in the Kentucky economy, U.S. Retail Sales was not strictly concave or convex to the origin. For this reason inflexion points were used to test turning points in the U.S. Retail Sales series. U.S. Manufacturing and Trade Sales performed better than U.S. Retail Sales in testing, but because U.S. Manufacturing and Trade Sales was not published in a timely manner it had to be removed from the Kentucky Leading Index.
- **U.S. Manufacturer's New Orders Index:** This index has two components: US Manufacturer's New Orders for Nondefense Capital Goods and US Manufacturer's New Orders for Consumer Goods and Materials. Separately these two series slightly missed one or two turning points in the official reference series. But together they preceded each turning point.
- **Louisville Help-Wanted Index:** The Conference Board computes an index of help-wanted advertisements for major regions across the United States; Louisville is the only city in Kentucky covered by the Conference Board.

Table Notes:

- 1) Growth rates are computed with precise numbers. Due to rounding, two observations may have the same reported value but still exhibit growth at a more precise level.
- 2) More information is available on our website, www.osbd.ky.gov

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**SELECTED KENTUCKY ECONOMIC INDICATORS
SEASONALLY ADJUSTED**

	2006					2007							
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
KY Leading Index (1992=100)	112.9	112.9	113.5	113.1	112.7	113.5	112.8	113.1	112.8	112.9	112.5	112.8	112.6
% Chg Previous Month SAAR	-1.2	-0.1	6.7	-4.3	-4.3	8.5	-6.2	2.8	-2.9	0.5	-4.5	3.5	-2.2
% Chg Same Month Last Year	0.1	-0.3	0.2	-0.5	-0.6	0.0	-0.5	0.1	-0.4	-0.2	-0.3	-0.2	-0.3
KY Leading Index Diffusion Index	60.0	63.3	63.3	66.7	63.3	66.7	60.0	66.7	53.3	56.7	56.7	60.0	63.3
KY Coincident Index (1992=100)	135.7	135.7	136.2	136.1	136.5	136.7	136.8	136.8	137.0	137.4	137.4	137.7	137.3
% Chg Previous Month SAAR	2.3	-0.2	4.1	-1.0	4.0	1.7	1.0	-0.6	2.1	3.1	0.6	2.1	-2.9
% Chg Same Month Last Year	2.6	1.9	1.9	1.6	1.8	1.6	1.5	1.5	1.3	1.6	1.5	1.6	1.2
KY Non-farm Employment (000s)	1,844.0	1,846.1	1,850.9	1,854.3	1,854.1	1,858.8	1,856.7	1,856.8	1,854.6	1,853.4	1,853.8	1,856.2	1,856.5
% Chg Previous Month SAAR	-1.2	1.4	3.2	2.2	-0.1	3.1	-1.3	0.1	-1.4	-0.8	0.3	1.6	0.2
% Chg Same Month Last Year	0.8	0.6	0.9	0.7	0.6	0.5	0.8	0.6	0.5	0.8	0.4	0.6	0.7
KY Private Services Employment (000s)	1,161.5	1,161.2	1,163.4	1,169.7	1,170.3	1,175.7	1,169.8	1,171.6	1,170.8	1,169.9	1,170.4	1,170.7	1,172.9
% Chg Previous Month SAAR	0.6	-0.3	2.3	6.6	0.6	5.6	-5.8	1.9	-0.8	-0.9	0.6	0.2	2.4
% Chg Same Month Last Year	1.3	1.1	1.2	1.3	1.3	1.0	1.0	1.0	0.8	1.0	1.0	0.8	1.0
KY Mfg Employment (000s)	259.4	260.6	262.1	260.9	259.7	255.7	260.1	257.0	257.4	257.3	254.4	256.0	255.2
% Chg Previous Month SAAR	-8.4	5.7	7.1	-5.4	-5.4	-17.0	22.7	-13.4	1.9	-0.5	-12.7	7.8	-3.7
% Chg Same Month Last Year	-1.1	-1.0	0.1	-0.9	-1.3	-2.8	-0.9	-1.8	-1.8	-0.1	-2.6	-2.0	-1.6
KY Unemployment Rate (%)	5.7	5.6	5.4	5.6	5.7	5.4	5.3	5.5	5.4	5.7	5.6	6.1	5.6
KY Index of Initial UI Claims (1992=100)	103.2	102.6	103.4	103.8	102.2	103.6	102.7	104.0	103.6	104.2	103.4	104.1	101.5
% Chg Previous Month SAAR	4.1	-6.4	9.7	4.8	-17.5	17.9	-9.9	15.7	-3.7	6.2	-8.1	7.7	-26.3
% Chg Same Month Last Year	0.4	-1.0	-0.3	-1.1	-2.0	-0.4	-1.5	0.9	-0.2	0.6	1.0	1.2	-1.7
KY Labor Intensity Index (1992=100)	104.8	104.8	104.9	105.0	104.8	104.7	104.7	104.6	104.5	104.5	104.4	104.5	104.7
% Chg Previous Month SAAR	-1.7	-0.1	1.4	0.8	-1.8	-2.0	0.8	-1.1	-1.5	0.3	-1.6	1.7	1.9
% Chg Same Month Last Year	0.1	0.0	0.0	-0.1	-0.3	-0.5	-0.3	-0.3	-0.6	-0.4	-0.6	-0.4	-0.1
Louisville HWI (1992=100)	36.0	38.0	42.0	35.0	31.0	43.0	29.0	30.0	28.0	23.0	22.0	23.0	23.0
% Chg Previous Month SAAR	40.2	91.3	232.3	-88.8	-76.7	4,973.2	-99.1	50.2	-56.3	-90.6	-41.3	70.5	0.0
% Chg Same Month Last Year	-33.3	-26.9	-19.2	-20.5	-26.2	7.5	-27.5	-14.3	-24.3	-32.4	-31.3	-34.3	-36.1
GF Total Tax Receipts (\$ mill)	630.1	630.7	881.4	682.8	544.3	652.7	671.9	784.7	788.6	608.6	566.5	822.3	639.4
% Chg Same Month Last Year	-0.4	-0.1	5.4	0.2	7.1	9.1	-11.2	11.3	-2.5	5.2	2.4	-1.5	1.5
GF Sales & Use Receipts (\$ mill)	242.5	223.8	238.9	286.2	193.6	212.5	202.4	270.9	243.0	251.0	241.8	235.5	246.7
% Chg Same Month Last Year	2.9	2.4	4.4	-1.0	1.3	3.9	-12.2	15.1	5.3	0.7	4.9	5.1	1.7
GF Income Tax Receipts (\$ mill)	248.4	242.6	269.2	202.1	227.1	204.0	283.4	337.8	289.0	249.2	240.6	332.9	265.6
% Chg Same Month Last Year	-4.2	3.7	5.9	-8.5	14.1	19.0	-16.7	58.6	11.4	9.0	5.8	18.1	6.9

SELECTED U.S. ECONOMIC INDICATORS SEASONALLY ADJUSTED

	2006												2007														
	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT		OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
US Leading Index (1996=100)	137.6	137.6	138.4	137.9	137.1	137.9	137.6	137.9	137.6	138.6	137.4	137.6	136.9		137.6	137.6	138.4	137.9	137.1	137.9	137.6	137.9	137.6	138.6	137.4	137.6	136.9
	0.0	0.0	7.2	-4.3	-6.7	7.2	-2.6	2.6	-2.6	9.1	-9.9	1.8	-5.9		-2.6	2.6	-2.6	2.6	-6.7	7.2	-2.6	2.6	-2.6	9.1	-9.9	1.8	-5.9
	0.7	-0.2	0.1	-0.5	-0.6	-0.4	-0.4	0.2	-0.1	0.8	0.3	0.0	-0.5		-0.4	0.2	-0.4	0.2	-0.6	-0.4	-0.4	0.2	-0.1	0.8	0.3	0.0	-0.5
US Coincident Index (1996=100)	123.0	123.0	123.4	123.3	123.5	123.8	124.0	124.1	124.3	124.7	124.9	125.0	124.9		124.3	124.1	124.0	124.1	123.5	123.8	124.0	124.1	124.3	124.7	124.9	125.0	124.9
	4.0	0.0	4.0	-1.0	2.0	3.0	2.0	1.0	2.0	3.9	1.9	1.0	-1.0		2.0	1.0	2.0	1.0	2.0	3.0	2.0	1.0	2.0	3.9	1.9	1.0	-1.0
	2.8	2.2	2.2	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.0	1.5		1.9	1.9	1.9	1.9	1.8	1.8	1.9	1.9	2.0	2.0	2.0	2.0	1.5
US Non-farm Employment (Mil.)	136.7	136.9	137.2	137.3	137.4	137.6	137.7	137.9	138.0	138.1	138.2	138.2	138.4		138.0	137.9	137.7	137.9	137.4	137.6	137.7	137.9	138.0	138.1	138.2	138.2	138.4
	1.0	1.7	2.0	1.4	0.8	1.5	1.1	1.7	0.6	0.8	0.4	1.5	1.5		0.6	1.7	1.1	1.7	0.8	1.5	1.1	0.6	0.8	0.8	0.4	1.5	1.5
	1.8	1.7	1.7	1.6	1.5	1.4	1.4	1.5	1.4	1.3	1.1	1.2	1.2		1.4	1.5	1.4	1.5	1.4	1.4	1.4	1.4	1.3	1.3	1.1	1.1	1.2
US Service-Providing Employment (Mil.)	114.2	114.4	114.6	114.8	115.0	115.1	115.3	115.5	115.5	115.6	115.8	115.9	116.1		115.5	115.5	115.3	115.5	115.0	115.1	115.3	115.5	115.6	115.8	115.9	116.1	116.1
	1.7	2.6	2.4	1.3	1.9	1.5	1.7	2.1	0.8	1.1	1.7	0.9	2.0		0.8	2.1	1.7	2.1	1.9	1.5	1.7	0.8	1.1	1.7	0.9	2.0	2.0
	1.9	1.9	1.9	1.9	1.8	1.8	1.8	1.9	1.9	1.8	1.8	1.7	1.7		1.9	1.9	1.8	1.9	1.8	1.8	1.8	1.9	1.8	1.8	1.7	1.7	1.7
US Manufacturing Employment (000s)	14,166.0	14,143.0	14,131.0	14,130.0	14,113.0	14,090.0	14,072.0	14,069.0	14,050.0	14,046.0	14,001.0	13,986.0	13,971.0		14,050.0	14,069.0	14,072.0	14,069.0	14,113.0	14,090.0	14,072.0	14,069.0	14,050.0	14,046.0	14,001.0	13,986.0	13,971.0
	-3.3	-1.9	-1.0	-0.1	-1.4	-1.9	-1.5	-0.3	-1.6	-0.3	-3.8	-1.3	-1.3		-1.6	-0.3	-1.5	-0.3	-1.4	-1.9	-1.5	-0.3	-1.6	-0.3	-3.8	-1.3	-1.3
	-0.2	-0.4	-0.5	-0.6	-0.7	-0.9	-1.1	-1.0	-1.3	-1.3	-1.5	-1.5	-1.4		-1.3	-1.0	-1.1	-1.0	-0.7	-0.9	-1.1	-1.0	-1.3	-1.3	-1.5	-1.5	-1.4
US Unemployment Rate (%)	4.4	4.5	4.5	4.6	4.5	4.4	4.5	4.5	4.5	4.6	4.6	4.7	4.7		4.5	4.5	4.5	4.5	4.5	4.4	4.5	4.5	4.6	4.6	4.7	4.7	4.7
US Manufacturer's New Orders Index (1996=100)	129.0	129.0	132.3	125.7	126.2	129.8	130.5	128.3	129.6	133.3	128.8	128.2	128.3		129.6	128.3	130.5	128.3	126.2	129.8	130.5	128.3	129.6	133.3	128.8	128.2	128.3
	-25.1	0.1	34.7	-45.8	5.1	39.6	6.6	-18.3	13.2	40.4	-34.1	-5.2	1.2		13.2	13.2	6.6	-18.3	5.1	39.6	6.6	13.2	40.4	-34.1	-5.2	1.2	1.2
	-2.6	-6.0	-3.0	-5.3	-4.7	-4.0	-1.5	-2.9	-2.1	1.7	-0.5	-3.0	-0.5		-2.1	-2.9	-1.5	-2.9	-4.7	-4.0	-1.5	-2.1	1.7	-0.5	-3.0	-0.5	-0.5
US Initial Claims for UI (000s)	314.1	327.4	320.0	310.3	338.2	316.3	328.9	307.6	319.6	306.0	324.9	313.1	327.5		319.6	307.6	328.9	307.6	338.2	316.3	328.9	307.6	319.6	306.0	324.9	313.1	327.5
	-4.5	64.5	-24.0	-30.9	181.0	-55.2	59.8	-55.2	58.3	-40.7	105.3	-35.8	71.5		58.3	-55.2	59.8	-55.2	181.0	-55.2	59.8	-55.2	58.3	-40.7	105.3	-35.8	71.5
	-8.2	3.8	1.9	6.9	10.9	3.0	5.5	-7.2	3.2	-2.1	2.7	-0.7	4.3		3.2	-7.2	5.5	-7.2	10.9	3.0	5.5	-7.2	3.2	-2.1	2.7	-0.7	4.3
US Industrial Production Index (1992=100)	112.0	111.5	112.2	111.7	112.5	112.4	113.1	113.0	113.5	114.2	114.1	113.6	113.6		113.5	113.0	113.1	113.0	112.5	112.4	113.1	113.5	114.2	114.1	114.4	113.6	113.6
	-1.8	-4.9	7.8	-5.7	9.5	-1.1	6.9	-1.2	6.0	8.1	-1.4	3.2	-8.2		6.0	-1.2	6.9	-1.2	9.5	-1.1	6.9	6.0	8.1	-1.4	3.2	-8.2	-8.2
	4.6	3.0	2.8	2.4	2.9	2.2	1.9	1.9	1.5	1.7	1.4	2.0	1.4		1.5	1.9	1.9	1.9	2.9	2.2	1.9	1.5	1.7	1.4	2.0	1.4	1.4
US Personal Income Less Trans. (Bil. 2000 chnd)	8,310.5	8,344.2	8,363.9	8,362.8	8,406.7	8,439.9	8,419.1	8,411.2	8,441.7	8,477.9	8,513.5	8,534.6	8,520.5		8,441.7	8,411.2	8,419.1	8,411.2	8,406.7	8,439.9	8,419.1	8,441.7	8,477.9	8,513.5	8,534.6	8,520.5	8,520.5
	19.2	5.0	2.9	-0.2	6.5	4.8	-2.9	-1.1	4.4	5.3	5.2	3.0	-2.0		4.4	-1.1	-2.9	-1.1	6.5	4.8	-2.9	4.4	5.3	5.2	3.0	-2.0	-2.0
	4.7	4.1	3.5	3.4	3.7	4.0	3.6	3.9	3.6	4.4	4.8	4.2	2.5		3.6	3.9	3.6	3.9	3.7	4.0	3.6	3.6	4.4	4.8	4.2	2.5	2.5
CPI, All Urban (1982-84=100)	201.8	201.9	202.8	203.2	203.9	205.1	206.0	207.4	207.8	208.0	207.7	208.3	208.9		207.8	207.4	206.0	207.4	203.9	205.1	206.0	207.4	207.8	208.0	207.7	208.3	208.9
	-5.2	0.6	5.5	2.1	4.5	7.5	5.1	8.4	2.3	1.4	-1.7	3.2	3.6		2.3	8.4	5.1	8.4	4.5	7.5	5.1	2.3	1.4	-1.7	3.2	3.6	3.6
	1.3	2.0	2.5	2.1	2.4	2.8	2.6	2.7	2.7	2.4	1.9	2.8	3.5		2.7	2.7	2.6	2.7	2.4	2.8	2.6	2.7	2.4	1.9	2.8	3.5	3.5
US Retail Sales (\$Billions)	363.0	363.0	367.3	367.2	369.3	372.9	371.7	377.7	374.7	376.9	377.2	380.2	381.1		374.7	377.7	371.7	377.7	369.3	372.9	371.7	377.7	376.9	377.2	380.2	381.1	381.1
	3.2	-0.2	15.5	-0.4	6.9	12.2	-3.8	21.3	-9.0	7.2	0.9	10.2	2.7		-9.0	21.3	-3.8	21.3	6.9	12.2	-3.8	-9.0	7.2	0.9	10.2	2.7	2.7
	5.2	4.4	5.6	2.2	3.6	4.4	2.8	5.1	4.0	3.7	3.6	5.0	5.0		4.0	5.1	2.8	5.1	3.6	4.4	2.8	3.7	3.6	3.6	5.0	5.0	5.0
US Consumer Expectations (1966=100)	84.8	83.2	81.2	87.6	81.5	78.7	75.9	77.6	74.7	81.5	73.7	74.1	70.1		74.7	77.6	75.9	77.6	81.5	78.7	75.9	77.6	74.7	81.5	73.7	74.1	70.1
	164.4	-20.4	-25.3	148.5	-57.9	-34.3	-35.3	30.4	-36.7	184.5	-70.1	6.7	-48.6		-36.7	30.4	-35.3	30.4	-57.9	-34.3	-35.3	-36.7	184.5	-70.1	6.7	-48.6	-48.6
	34.2	19.5	1.2	11.0	9.4	3.6	3.4	13.8	3.8	12.4	8.4	-5.2	-17.3		3.8	13.8	3.4	13.8	9.4	3.6	3.4	3.8	12.4	8.4	-5.2	-17.3	-17.3
Ave. Prime Interest Rate (% NSA)	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.03	7.74		8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.03	7.74	7.74